

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7894

BILL NUMBER: SB 501

NOTE PREPARED: Jan 17, 2003

BILL AMENDED:

SUBJECT: Charter School Funding.

FIRST AUTHOR: Sen. Lubbers

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that the Department of Education (Department) shall distribute tuition support and other state funding to a charter school at the same time and in the same manner as it distributes funding to school corporations. It provides that the governing body of a school corporation shall distribute to a charter school a proportionate share of local support upon receipt by the school corporation of the semiannual distributions of property tax revenue. The bill provides that the Department shall distribute tuition support and other state funding for the first six months of operation of a charter school that increases in enrollment by 10% or that adds a grade level to its academic program. It also provides that a school corporation whose students attend a charter school is eligible for a reimbursement grant for the first calendar year after the year in which the charter school begins its initial operation. The bill includes the reimbursement grant amount in the tuition support cap.

Effective Date: Upon passage; January 1, 2002 (retroactive).

Explanation of State Expenditures: The bill clarifies that the state is to provide proportionate share of state revenue for the first six months a charter school is in operation. The state is currently paying the costs during the first six months operation due to an Attorney General's opinion. The bill would also clarify that the local school is to provide the proportionate share of local revenue the first six months a charter school is in operation. It is unknown if locals paid a proportionate share of their December tax revenue to charter schools.

The bill creates three new grants to public and charter schools.

Reimbursement of first six months of local costs grant: The bill requires the state to reimburse the local school the amount they paid to a charter school during the first six months the charter school was in

operation. The estimated net cost based on CY 2002 data would have been about \$1.7 M.

Phaseout of lost school revenue grants: The bill creates a grant for a school corporation equal to 50% of the proportionate regular state tuition support, property tax levy, and excise tax for the calendar year following the opening of a charter school that the charter school receives for students residing in the school corporation. The estimated cost for CY 2003 would have been about \$2.6 M.

Growing charter school grants: The bill provides that if a charter school has a 10% increase in enrollment or adds a grade then the charter school receives a proportionate share of state funding for the increase in students from the prior school year.

Background: The charter school ADM for the 2002-03 school year is 1,253, and the revenue per student is about \$6,062, excluding special education, primetime, and vocational education grants. The first charter school opened for the 2002-03 school year. The state, in accordance with an Attorney General's opinion, is paying the state portion of state funding to charter schools without reducing the state funding of the public school where the student resides for the period of July-December of 2002. Starting with February 2003 the revenue sent by the state to the charter school will be offset by a reduction in the state revenue sent to the public school where the student resides.

Under the current charter school law, it is unclear if the local school would incur additional expenses in the first six months of the operation of charter schools. The impact on local schools for the first six months for the eleven new charter school would be about \$1 M. The impact for local school corporations starting with the next calendar year after the charter school begins depends on how the schools receives its school formula revenue. In the school formula, schools make three separate revenue calculations and receive the greatest revenue of the three calculations. The largest local impact is for minimum guarantee school corporations. The school receives 2% more in revenue than they received last year, regardless of enrollment changes. The minimum guarantee school corporation would lose revenue on average of \$5,120 per student for students attending charter schools. Schools that receive funding through the foundation and variable grant calculation may lose revenue depending on their student counts. If a school corporation has no reghosting, then the impact on the school corporation is the same if the student left to attend a charter school, a private school, or another school corporation. The amount of revenue redirected to the charter school is equal to the amount of revenue the school would have lost if the student left the school corporation. If the schools has reghosting, the decline in enrollment is phased out over five years, then the school corporation would lose some revenue. The revenue loss would be about \$4,096 per student, since the school would only lose 20% of the funding if the student left to attend another school.

The following is a simple explanation of the school formula calculations for regular programs for CY 2003.

Enrollment

- | | | |
|--------|--------------|---|
| Step 1 | Count Noses. | Base Enrollment is the number of students enrolled on a fixed day in mid-September(this year: September 13, 2002). |
| Step 2 | Reghost. | Compare Base Enrollments for 1998, 1999, 2000, 2001, and 2002: |
| | (a) | If 1998 is higher than any subsequent (i.e., later) year
Then: Add 20% of the difference between the 1998 Base Enrollment and highest subsequent enrollment. |
| | (b) | If 1999 is higher than any subsequent year
Then: Add 40% of the difference between the 1999 Base Enrollment and highest subsequent enrollment. |
| | (c) | If 2000 is higher than either 2001 or 2002. |

Then: Add 60% of the difference between the 2000 Base Enrollment and highest subsequent enrollment.

(d) If 2001 is higher than 2002

Then: Add 80% of the difference between the 2001 Base Enrollment and the 2002 Base Enrollment.

Regular School Formula Revenue

Revenue is calculated 3 ways—Minimum Guarantee, Foundation, and Variable Grant—District receives the biggest of the 3.

Foundation Multiply \$4,560 by

District Enrollment (calculated above) by
District Complexity Index that ranges between 1.00 (Eagle Union) and 1.19 (East Chicago), which is based on (a) Community education level, (b) % of Single-Parent Households in Community, (c) Poverty, (d) % limited English proficient students, and (e) % free lunch

Variable Grant Increase 2002 regular education per-pupil revenue by \$50-\$90 and multiply by
District Enrollment (calculated above)

Minimum Guarantee Increase 2002 regular education revenue by 2%

Explanation of State Revenues:

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues: See *Explanation of State Expenditures*.

State Agencies Affected: Department of Education.

Local Agencies Affected: Local Public and Charter Schools

Information Sources: Department of Education Databases.

Fiscal Analyst: Chuck Mayfield, 317-232-4825